

Message Text

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PAGE 01 EC BRU 03254 202027Z

70-60

ACTION EUR-25

INFO OCT-01 ISO-00 AGR-20 TRSE-00 SWF-02 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

CIEP-02 SP-03 STR-08 LAB-06 SIL-01 SAM-01 OMB-01 H-03

L-03 JUSE-00 SS-20 NSC-07 IO-14 PA-04 PRS-01 USIA-15

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TO SECSTATE WASHDC PRIORITY 6907

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT: COUNTERVAILING DUTY INQUIRY--EC DAIRY EXPORTS

REF: STATE 096312

1. SUMMARY: MEETING BETWEEN DEPUTY ASSIST. SECRETARY MARKS AND SENIOR EC OFFICIALS LED BY HIJZEN WAS LENGTHY, FRIENDLY, AND FRANK. EC COMMISSION AGREED TO COOPERATE WITH U.S. CUSTOMS REPRESENTATIVES IN THEIR INVESTIGATION, TO BEGIN MAY 27 IN BRUSSELS. TWO SIDES ALSO DISCUSSED WAYS OF INITIATING USEFUL INTERNATIONAL DISCUSSION OF SUBSIDIES AND COUNTERVAILING DUTIES. END SUMMARY.

2. DEPUTY ASSISTANT SECRETARY MARKS OF TREASURY, ACCOMPANIED BY MISSION OFFICERS, MET FOR FIVE HOURS MAY 17 WITH A GROUP OF SENIOR EC COMMISSION OFFICIALS CONCERNED WITH EXTERNAL RELATIONS AND AGRICULTURE
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PAGE 02 EC BRU 03254 202027Z

LED BY HIJZEN, DEPUTY DIRECTOR GENERAL FOR

EXTERNAL RELATIONS, AND INCLUDING FIELDING, DIRECTOR FOR NORTH AMERICA AND MEYNELL, DIRECTOR FOR GENERAL ECONOMIC QUESTIONS. THE MEETING WAS BOTH FRANK AND FRIENDLY.

3. MARKS EXPLAINED THAT THE INVESTIGATION TO BE MADE IN EUROPE BY CUSTOMS REPRESENTATIVES WAS DESIRABLE FROM EUROPEAN AS WELL AS US POINT OF VIEW. IT WOULD DEMONSTRATE TO COURTS, SHOULD MATTER ARISE, THAT COUNTERVAILING DUTY CASE ON EC DAIRY PRODUCTS WAS UNDER ACTIVE CONSIDERATION. AND, SHOULD THIS INVESTIGATION NOT TAKE PLACE, THE CHANCES FOR APPROVAL BY THE FINANCE COMMITTEE OF THE PROVISIONS IN THE TRADE REFORM ACT PROVIDING FOR ADEQUATE DISCRETION IN ADMINISTRATION OF COUNTERVAILING DUTY STATUTE WOULD BE REDUCED. MARKS WAS CAREFUL, HOWEVER, TO AVOID INDICATING IN ANY WAY THAT THE INVESTIGATION WOULD OR WOULD NOT LEAD TO A FINDING THAT A BOUNTY OR GRANT EXISTED. HE ALSO GAVE NO INDICATION THAT, SHOULD THE TRA BE ENACTED, THE SECRETARY OF THE TREASURY WOULD EXERCISE HIS DISCRETION IN THIS CASE. MARKS WAS NOT PRESSED BY THE COMMISSION REPRESENTATIVES ON THESE POINTS, WHICH WERE RECOGNIZED BY THEM TO BE DELICATE, AND WHICH HAD TO BE LEFT FOR RESOLUTION AFTER THE INQUIRY INTO THE FACTS OF THE CASE.

4. HIJZEN SAID EC FACED DILEMMA. ITS FAILURE TO COOPERATE COULD BE HARMFUL IN THE COURTS. AND THE EC CERTAINLY WANTED THE PROVISIONS FOR DISCRETIONARY ADMINISTRATION OF THE COUNTERVAILING DUTY STATUTE ENACTED. ON THE OTHER HAND, THE COMMUNITY DID NOT WISH BY ITS COOPERATION "TO HANG ITSELF". TAKING ALL THIS INTO CONSIDERATION, HE FELT IT WAS INDEED IN COMMUNITY'S INTEREST TO COOPERATE IN THE INVESTIGATION.

5. IT WAS AGREED THAT THE LEADERS OF THE TEAM OF CUSTOMS REPRESENTATIVES WOULD COME TO BRUSSELS MAY 27. AFTER THEIR DISCUSSIONS HERE, THE CUSTOMS REPRESENTATIVES WILL VISIT MEMBER STATES. HIJZEN EMPHASIZED THAT A THIRD PHASE, OF FINAL DISCUSSION, LIMITED OFFICIAL USE

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PAGE 03 EC BRU 03254 202027Z

WAS VITAL. THIS WOULD EITHER INVOLVE A SECOND VISIT BY THE TEAM LEADERS TO BRUSSELS, OR POSSIBLY ANOTHER MEETING BETWEEN MARKS AND HIJZEN EITHER IN WASHINGTON OR IN BRUSSELS.

6. THE MEETING CONCLUDED WITH A DISCUSSION OF THE PROSPECTS FOR INTERNATIONAL DISCUSSION AND NEGOTIATION OF THE ISSUES OF SUBSIDIES AND COUNTERVAILING DUTIES.

THE COMMISSION OFFICIALS SAID ROD GRAY OF THE CANADIAN FINANCE MINISTRY WAS COMING TO BRUSSELS THE LAST WEEK OF MAY. MARKS SAID THAT HE HAD REVIEWED THE RECORDS OF PAST GENEVA DISCUSSIONS OF THESE SUBJECTS AND HAD FOUND LITTLE USEFUL IN THEM. AMBASSADOR MALMGREN AND HE HAD RECENTLY DISCUSSED THE PROBLEM OF GETTING SOMETHING MOVING IN THIS AREA WITH GRAY AND HAD SUGGESTED THAT THE PRINCIPAL TRADING POWERS SHOULD WRITE AND EXCHANGE PAPERS ON KEY ISSUES SUCH AS INJURY, TREATMENT OF LDC'S, AND IMPORT SUBSTITUTION SUBSIDIES. IN THIS WAY THE PARAMETERS FOR NEGOTIATION IN GENEVA COULD BE WORKED OUT AND AGREED TO. IN THIS PROCESS OUR CONGRESS WOULD, OF COURSE, HAVE TO BE CONSULTED. MARKS SAID GRAY HAD AGREED IN GENERAL TO THIS SCHEME AND HAD IN FACT VOLUNTEERED TO WRITE A PAPER, PROBABLY ON THE INJURY CONCEPT.

7. COMMENT: IT WAS NOTEWORTHY THAT NO ONE ON THE EC SIDE SUGGESTED THAT THERE WAS ANY LINK BETWEEN THE COUNTERVAILING DUTY INVESTIGATION AND THE ARTICLE XXIV:6 NEGOTIATION, NOR DID ANYONE SUGGEST THAT IT WAS REGARDED BY THEM AS RETALIATION. THEY INDICATED, RATHER, UNDERSTANDING OF THE LEGAL AND POLITICAL REASONS FOR THE INVESTIGATION. AFTER THE END OF THE MEETING, HIJZEN EMPHASIZED TO THE MISSION'S DCM (WHO HAD NOT BEEN PRESENT) THE UTILITY OF MARKS' VISIT. GREENWALD

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